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October 1, 2009

TO: Each Health Deputy

FROM: Jonathan E. Fielding, M.D., M.P.H. *JE Fielding*
Director and Health Officer

SUBJECT: **UPDATE – STATE RECOUPMENT FOR DRUG/MEDI-CAL DAY CARE
REHABILITATIVE/HABILITATIVE SERVICES**

This is to provide you with an update on the status of the Department of Public Health-Alcohol and Drug Program Administration's (ADPA) appeal to the State Department of Alcohol and Drug Programs (SDADP) related to Drug/Medi-Cal day care habilitative (DMC/DCH) and minor consent services.

Background

On March 13, 2009, ADPA informed you that SDADP was denying \$3.8 million in claims related to DMC/DCH services. Of this amount, \$3.4 million related to contracted treatment costs and \$0.4 million related to ADPA administrative cost. The treatment costs represented disallowed provider charges for providing DMC/DCH services to persons SDADP determined to be ineligible for this service (most of whom were under minor consent). The SDADP stopped reimbursing for DMC/DCH services under the minor consent program unless the client was full scope eligible. ADPA worked closely with County Counsel to develop an appeal, and on April 15, 2009 ADPA filed an appeal with SDADP.

On May 7, 2009, ADPA met with SDADP regarding a possible resolution of DMC payments for minor consent services provided by ADPA's contracted providers. A global settlement was also offered by the SDADP for each of the fiscal years between 2004-05 and 2007-08. As discussed in more detail below, ADPA believes that a global settlement may be possible for all of the years except FY 2007-08.

Update

On September 9, 2009, County Counsel, working with ADPA, sent Los Angeles County's proposal to SDADP. Listed below are the provisions outlined in the proposal:

- For FYs 2004-05, 2005-06 and 2006-07, ADPA proposes that the SDADP agree to treat the DMC/DCH services provided to non-pregnant youths without full scope Medi-Cal coverage as non-Medi-Cal services, and to pay at the same rate as they were previously paid by DMC. As a result of this change in treatment, no amounts related to such services would be recovered from ADPA.

- The State would pay ADPA within 30 days of execution of any settlement documents, \$2,006,237 for FY 2004-05, and \$6,978,710 for FY 2005-06.
- All three fiscal years would be considered closed and not subject to further revision, audit, or payment, with the exception that the providers would be permitted to continue to pursue their individual appeals for those years, and if successful, would be paid any additional amount determined on appeal.
- For FY 2007-08, ADPA proposes to resolve only the minor consent issues. Because no settlement has been made for this year, and because pending claims may still exist with valid late codes, ADPA believes that facts are not sufficiently clear to allow for a settlement. To resolve the minor consent issue, ADPA would agree to return any DMC payments for DMC/DCH provided to non-pregnant minors without full scope benefits, received after June 1, 2008, regardless of the date those services were rendered. The State would agree to treat any payments made prior to June 1, 2008 for DMC/DCH provided to non-pregnant youths without full scope benefits as State program services, and will not recover the value of those services from ADPA.

On September 15, 2009, ADPA met with the affected providers to advise them of the actions ADPA is taking and informed them about the new procedures that were developed.

We will keep you informed as warranted. If you have any questions or need additional information, please let me know.

JEF:dhd

c: Sheila Shima
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